

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	Pursuant to Sections 1401, 1402 and 1403
	:	of the Insurance Holding Companies Act,
Application of Armour	:	Article XIV of the Insurance Company
Reinsurance Group Limited in	:	Law of 1921, Act of May 17, 1921, P.L.
Support of the Request for	:	682, <u>as amended</u> , 40 P.S. §§ 991.1401 -
Approval to Acquire Control of	:	991.1403 and Chapter 25 of Title 31 of the
PMA Capital Insurance Company	:	Pennsylvania Code, 31 Pa. Code §§ 25.1 -
	:	25.23
	:	
	:	Order No. ID-RC-09-42

DECISION AND ORDER

AND NOW, this 23rd day of December, 2009, Joel Ario, Insurance Commissioner of the Commonwealth of Pennsylvania (the “Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the information, presentations, reports, documents and comments received, as well as other inquiries, audits, investigations, materials and studies as permitted by law, the Commissioner hereby makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

Identity of Entities Involved

Identity of the Pennsylvania Domiciled Insurer to be Acquired

1. PMA Capital Insurance Company (“PMACIC”) is a domestic stock casualty reinsurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.

Identity of Seller

2. PMA Capital Corporation (“PMA”) is a holding company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Blue Bell, Pennsylvania. PMA directly holds 100% of the issued and outstanding capital stock of PMACIC.
3. The stock of PMA is publicly traded on the New York Stock Exchange.

Identity of Applicants

4. Armour Reinsurance Group Limited (“Armour Re”) is a corporation functioning as a insurance company organized under the laws of Bermuda with its principal place of business in Hamilton, Bermuda.
5. Aries Partners Limited (“Aries”) is a corporation organized under the laws of Bermuda with its principal place of business in Hamilton, Bermuda. Aries directly holds 100% of the issued and outstanding capital stock of Armour Re.
6. Brad Huntington (“Mr. Huntington”) is an individual with his principal place of business in Hamilton, Bermuda. Mr. Huntington directly holds 60% of the issued and outstanding capital stock of Aries.
7. John Williams (“Mr. Williams”) is an individual with his principal place of business in Hamilton, Bermuda. Mr. Huntington directly holds 40% of the issued and outstanding capital stock of Aries.
8. Mr. Huntington and Mr. Williams are the ultimate controlling persons of Armour Re.

The Acquisition Filing

9. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§ 991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
10. Chapter 25 of Title 31 of the Pennsylvania Code, 31 Pa. Code §§ 25.1 - 25.23, requires the filing of an application known as a “Form A” filing to seek approval of a change in control of a domestic insurer.
11. On May 23, 2008, the Insurance Department of the Commonwealth of Pennsylvania (the “Department”) received an initial application (which together with all materials and amendments received subsequently is collectively referenced as the “Application”) from Armour Re for approval to acquire control of PMACIC.
12. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Description of Proposed Acquisition

13. On March 28, 2008, PMA and Armour Re executed a stock purchase agreement (“Initial Stock Purchase Agreement”) under which Armour Re would acquire control of PMACIC and two affiliates not under the jurisdiction of the Department.
14. As described in the Application as originally filed, Armour Re proposed to acquire from PMA all of the issued and outstanding shares of PMACIC, consisting of 500,000 shares of common stock (the “Shares”), pursuant to the terms of the Initial Stock Purchase Agreement.
15. Pursuant to the Initial Stock Purchase Agreement, the purchase price was to have been ten million dollars in cash and a promissory note having a principal amount of ten million dollars issued by Armour Re (“Initial Purchase Price”).
16. Pursuant to the Initial Stock Purchase Agreement, the Initial Purchase Price would have been automatically adjusted downward under certain conditions listed in the Initial Stock Purchase Agreement.

December 2009 Amended Stock Purchase Agreement

17. In December 2009, PMA and Armour Re amended the Initial Stock Purchase Agreement (“Amended Stock Purchase Agreement”).
18. Pursuant to the Amended Stock Purchase Agreement, the aggregate purchase price payable by Armour Re for the Shares under the Stock Purchase Agreement is \$100,000 in cash.
19. Pursuant to the Amended Stock Purchase Agreement, prior to the closing of the acquisition (“Closing”) PMA shall have contributed \$3,100,000 in cash to PMACIC in exchange for a surplus note (“Seller Surplus Note”) and also contributed \$2,700,000 in cash to PMACIC.
20. Pursuant to the Amended Stock Purchase Agreement, prior to Closing, PMA shall have issued a promissory note in the amount of \$10,000,000 dollars to PMACIC.
21. Pursuant to the Amended Stock Purchase Agreement, simultaneously with Closing, Armour Re shall contribute \$2,000,000 in cash to PMACIC in exchange for a surplus note (“Buyer Surplus Note”).

Department Procedures Relating to the Application

Notice and Comments

22. On June 7, 2008, the Department published notice in the *Pennsylvania Bulletin* and on the Department's website that the Application had been received and invited interested persons to submit written comments to the Department regarding the Application during a Comment Period that was set to expire on September 5, 2008.
23. To afford persons ample opportunity to provide written comments, the Department published notice in the *Pennsylvania Bulletin* on September 13, 2008, that the Comment Period would be extended for an indefinite period of time.
24. The Department published notice in the *Pennsylvania Bulletin* on November 28, 2009, that the Comment Period would end on December 11, 2009.
25. In response to the published notices, the Department received numerous comments, documents and other inquiries by mail and email from, or on behalf of, a variety of interested persons ("interested persons" or "commenters").
26. The comments primarily addressed the following concerns:
 - a. Concerns regarding the financial condition of Armour Re;
 - b. Concerns that PMACIC was failing to make prompt and full payments of its outstanding reinsurance obligations;
 - c. Concerns that the collection of reinsurance from PMACIC will become more difficult if the Applicant acquires control of PMACIC; and
 - d. Concerns regarding the competency, experience and integrity of persons who would control the operation of PMACIC post-acquisition when it is anticipated that a number of PMACIC's current staff who are responsible for claims handling will continue with the company post-acquisition.
27. All comment letters, with the exception of requests for documents from the public file index, were forwarded to Armour Re for response.

28. The Department reviewed and considered all comments from interested persons as well as Armour Re's responses to those comments.
29. The Department notes that the Applicant continually updated the financial information with the Department during the pendency of the Department's review of this transaction.
30. The Department further notes the following responses from the Applicant to the other concerns raised by the commenters:
 - a. Disputes between reinsurers and their reinsureds are contractual disputes, to be resolved privately by the parties, and are not a basis for disapproving the proposed transaction.
 - b. The Applicant has no intention of having PMACIC implement tactics for the purpose of delaying the payment of obligations that have been determined to be due and payable.
 - c. None of PMACIC's current staff will control the operation of PMACIC following the acquisition. Several individuals at the highest levels will not continue with PMACIC following the acquisition, and information concerning the new senior management for the company post-acquisition was included with the Application.
31. The Department reviewed and considered all comment letters received including those that were received after the close of the Comment Period.

Public Informational Hearing

32. Section 1402 of the Insurance Holding Companies Act provides that the Commissioner may exercise his discretion to hold a hearing on whether an application complies with the Insurance Holding Companies Act, unless either the acquiring party or the party to be acquired requests a hearing within ten days of the filing of the Application.
33. If neither the acquiring party nor the insurer being acquired timely demands a hearing, the holding of a hearing is solely at the discretion of the Commissioner.
34. Neither Armour Re nor PMACIC requested a hearing on the Application.
35. After consideration of all documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner exercised his discretion to

not hold a public hearing on the Application.

36. The Commissioner's decision to not hold a public informational hearing was an appropriate exercise of his discretion under Section 1402 of the Insurance Holding Companies Act.

Retention of Consultants and Advisors

37. Section 1402 of the Insurance Holding Companies Act provides that the Commissioner may retain, at the acquiring person's expense, any attorneys, actuaries, accountants and other experts not otherwise a part of the Department's staff as may be reasonably necessary to assist the Department in reviewing the proposed acquisition of control.
38. As part of the December 31, 2007 financial examination of PMACIC and in conjunction with the Department's review of the Application, the Department engaged Milliman, Inc. to review the unpaid loss and loss adjustment expenses (LAE) for PMACIC as of December 31, 2007 (the "Milliman Engagement Letter").
39. The Department subsequently engaged Towers, Perrin, Forester & Crosby, Inc. ("Towers Perrin") on June 8, 2009, to provide the actuarial analysis of the loss and LAE liabilities of PMACIC as of December 31, 2008 (the "Towers Perrin Engagement Letter").
40. Towers Perrin was engaged to produce the following projections:
 - a. an actuarial central estimate for the net and gross loss and LAE liabilities for PMACIC in total as of December 31, 2008;
 - b. a range of reasonable estimates of the net and gross loss and LAE liabilities for PMACIC in total as of December 31, 2008; and
 - c. future cash flow projections related to loss and LAE payment, expenses, premiums, and commissions under the low, actuarial central and high projections.
41. In the Towers Perrin Engagement Letter, the Department also requested that Towers Perrin review the post-closing, *pro forma* balance sheet of PMACIC as of December 31, 2008.

Actuarial Analysis

42. On October 27, 2008, Milliman issued its draft report to the Department addressing the issues set forth in the Milliman Engagement Letter.

43. Milliman's draft actuarial central estimate of net loss and LAE Reserves as of December 31, 2007 exceeded PMACIC's carried reserves. Therefore, the Department expanded Milliman's scope to develop a range of reasonable estimates about their actuarial central estimate and with the intention to develop a better understanding of the inherent volatility in the PMACIC reserves.
44. The work completed by Milliman in its draft report under the expanded scope showed that PMACIC's carried reserves continued to be below Milliman's reasonable range of estimates.
45. At the request of the company, and because of the indicated reserve deficiency in the Milliman draft report, the Department engaged Towers Perrin to perform an additional independent review of PMACIC's loss and LAE Reserves as of December 31, 2008.
46. On November 2, 2009, Towers Perrin issued its report to the Department addressing the issues set forth in the Towers Perrin Engagement Letter.
47. Towers Perrin reached the following conclusions:
 - a. The estimated total unpaid net loss and LAE as of December 31, 2008 is \$224.9 million on an undiscounted basis, and \$189.9 on a fully discounted basis (using an interest rate of 4%). PMACIC's corresponding net carried reserves are \$106.3 million.
 - b. The estimated low reasonable unpaid net loss and ALAE as of December 31, 2008 is \$194.5 million on an undiscounted basis, and \$165.0 million on a fully discounted basis (using an interest rate of 4%).
 - c. As of December 2008, PMACIC's cash and invested assets on its balance sheet total \$163.5 million.
48. As a result of the Towers Perrin report, PMA has agreed to execute certain agreements (the "Liability Policies Support Agreements") at or prior to the closing date of the transaction to ensure that PMACIC would have sufficient reserves and surplus at the closing of the transaction to adequately protect the interests of PMACIC's insureds.
49. PMACIC agreed to execute the Administrative Services Agreement with PMA for the transition of certain services after Closing substantially in the form attached to the Stock Purchase Agreement, and PMACIC has also agreed to execute a Services Agreement with Armour Re for certain services post transition (collectively the "Administrative

Services Contracts”).

50. PMA agreed to execute the Liability Policies Support Agreement substantially in the form attached to the Stock Purchase Agreement under which PMA agrees to indemnify PMACIC for certain specified losses as defined in the Support Agreement to the extent that the specified losses exceed \$50,700,000 in the aggregate up to a maximum aggregate indemnification equal to \$11,600,000.
51. PMA agreed to execute the Workers’ Compensation Policies Support Agreement substantially in the form attached to the Stock Purchase Agreement under which PMA agrees to indemnify PMACIC for certain specified losses as defined in the Support Agreement to the extent that the specified losses exceed \$38,000,000 in the aggregate up to a maximum aggregate indemnification equal to \$34,300,000.
52. PMA also agreed to execute the Promissory Note substantially in the form attached to the Stock Purchase Agreement under which PMA promises to pay to PMACIC the principal amount of \$10,000,000 plus interest on unpaid principal amounts from July 1, 2009 at a rate set forth in the Promissory Note. As stated in the Promissory Note the principal is due and payable by PMA in two installments of \$5,000,000 on June 30, 2010 and \$5,000,000 on June 30, 2011. The unpaid interest is due and payable quarterly beginning on September 30, 2009.
53. PMACIC has also requested the approval of two prescribed accounting practices to become effective as of the closing date of the proposed acquisition of PMACIC by Armour Re:
 - a. Discounting of all of PMACIC’s loss and LAE reserves, excluding ULAE, for all lines of business, including reserves for incurred but not reported and incurred but not enough reported, using an annual interest rate of 4%.
 - b. Treatment of the economic value of the Liability Policies Support Agreement and the Workers’ Compensation Support Agreement to be entered into by PMA in connection with the acquisition as an admitted asset. The economic value is determined by discounting the anticipated indemnity payments at 4% consistent with the other requested prescribed accounting practice.
54. PMACIC contends that the prescribed accounting practices result in PMACIC’s capital and surplus exceeding what its capital and surplus was under unmodified practices by approximately \$15.5 million as of September 30, 2009. If liabilities are recorded as of September 30, 2009 based upon the low reasonable estimate provided by Towers Perrin in its November 2, 2009 report, the prescribed accounting practices would result in

PMACIC's capital and surplus exceeding what its capital and surplus was under unmodified practices by approximately \$48.0 million as of September 30, 2009.

55. In conjunction with PMACIC's prescribed accounting practice request, Armour Re has agreed that it will cause PMACIC after Closing of the acquisition to increase its carried loss and ALAE reserves to the discounted low reasonable estimate provided by Towers Perrin in its November 2, 2009 report to the Department, less paid losses and ALAE since December 31, 2008.
56. PMA has further agreed, as stated in the Stock Purchase Agreement, to contribute, prior to Closing, \$2.7 million in cash to PMACIC.
57. As stated in the Stock Purchase Agreement, PMA will also contribute, prior to Closing, \$3.1 million in cash to PMACIC in exchange for the Seller Surplus Note.
58. As stated in the Stock Purchase Agreement, simultaneously with Closing, Armour Re will also contribute \$2 million in cash to PMACIC in exchange for the Buyer Surplus Note.

Other Investigation and Submissions by Armour Re

59. Throughout the Application process, the Department reviewed and analyzed the information and materials provided by Armour Re in support of the proposed acquisition as well as the comments from interested persons.
60. At various times throughout the Application process, the Department requested that Armour Re provide additional information or documentation.
61. Throughout the process, in response to requests from the Department as well as comments submitted by interested persons, Armour Re provided a significant volume of additional documents that further explain the proposed acquisition, the future management and control of PMACIC after the acquisition, and the financial transactions involved in the proposed acquisition. Many of these documents have been made part of the public record.

Standards for Review

62. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for change in control of a domestic insurer.

63. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.
64. The Department has carefully considered the compliance of the proposed transaction with all of the requirements under the statutory standards as follows:

Licensing Requirements

65. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurers being acquired.
66. The line or lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law, 40 P.S. §382.
67. The minimum paid-up capital stock and paid-in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law, 40 P.S. §386.
68. In accordance with Section 206 of the Insurance Company Law, 40 P.S. §386, PMACIC is required to maintain a minimum paid-up capital stock of \$2,350,000 to write the lines of insurance for which PMACIC is presently licensed.
69. In accordance with Section 206 of the Insurance Company Law, 40 P.S. §386, PMACIC is required to maintain a minimum paid-in surplus of \$1,175,000 to write the lines of insurance for which PMACIC is presently licensed.
70. PMACIC currently has sufficient paid-up capital and paid-in surplus to satisfy the requirements to write the lines of insurance for which PMACIC is licensed.
71. Upon completion of the transaction, PMACIC will continue to have paid-up capital in an amount that will satisfy the statutory minimum required of a property or casualty insurance company licensed to write the lines of insurance currently held by PMACIC.
72. Upon completion of the transaction, PMACIC will continue to have paid-in surplus in an amount that will satisfy the statutory minimum required of a property or casualty insurance company licensed to write the lines of insurance currently held by PMACIC.

73. Based on all relevant facts of record, the Commissioner concludes that the approval of the Application would not result in PMACIC's inability to satisfy requirements for licensure or require it to lose its license.

Competitive Impact

74. The acquisition of control of PMACIC is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth ("Competitive Standard").
75. The Competitive Standard analysis requires a comparison of the market share of the "involved insurers," including all insurers being acquired, acquiring, or affiliated with an acquirer.
76. As described in the Application, PMACIC has been in runoff since November 2003 and has no market share in the Commonwealth of Pennsylvania.
77. Based on all relevant facts of record including the foregoing, the Commissioner concludes that the Competitive Standard will not be violated by the transaction because neither PMACIC nor Armour Re has a market share in the Commonwealth of Pennsylvania and the acquisition of control of PMACIC by Armour Re will not lessen competition or tend to create a monopoly.

Financial Condition of Armour Re

78. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the financial condition of the acquiring party to determine whether they are such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders.
79. The Department reviewed the financial condition of Armour Re and financial statements submitted by its principals, Mr. Huntington and Mr. Williams.
80. Armour Re and its principals are financially stable and do not represent a risk to the financial stability of PMACIC.
81. Based on the amendments to the proposed acquisition, PMACIC should be sufficiently capitalized and reinsured to minimize the risk of insolvency or inability to pay its liabilities.

82. Based on all relevant facts of record, the Commissioner concludes that the financial condition of Armour Re and its principals would not pose any impediments to the change in control of PMACIC nor jeopardize the financial condition of PMACIC.

Plans for the Acquired Insurer

83. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the plans or proposals which the acquiring party has for managing the insurer to determine whether they are unfair or unreasonable to its policyholders and not in the public interest.
84. Armour Re has stated in the Application that it has no plans to cause PMACIC to declare an extraordinary dividend, to liquidate or dissolve PMACIC, to sell any of the assets of PMACIC or to cause PMACIC to merge with any person or persons. Armour Re has also confirmed that it does not plan to cause any other material change in the business operations or corporate structure of PMACIC.
85. As provided in the Application, Armour Re has disclosed that it intends to continue the run-off of PMACIC's business.
86. Based on all relevant facts of record including the foregoing, the Commissioner concludes that Armour Re's plans to manage PMACIC are not unfair or unreasonable to its policyholders or contrary to the public interest.

Management

87. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurers.
88. As described in the Application, Armour Re was formed in 2007 as a vehicle to invest in other insurance and reinsurance operations, to acquire insurance portfolios via reinsurance and other structures and to provide management services in connection with its investments.
89. Biographical affidavits for all directors and executive officers of Armour Re were provided as part of the Application, and the Department reviewed all affidavits that were submitted.
90. Based on the submitted Application and all relevant materials of record, the Department is satisfied that the persons who would control the operations of PMACIC have such competence, experience and integrity that the interests of policyholders and the public

would not be jeopardized.

91. If any of the above Findings of Fact is determined to be a Conclusion of Law, it shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1401 of the Insurance Holding Companies Act, the Commissioner has jurisdiction to review and approve the proposed acquisition of control of domestic insurers.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a. The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which it is presently licensed;
 - b. The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c. The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d. Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable and fail to confer benefit on policyholders of the insurers and are not in the public interest;
 - e. The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control; or
 - f. The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or
 - g. The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of PMACIC.
4. The Application submitted by Armour Re, with amendments, complies with the requirements of 40 P.S. § 991.1402.
5. Thus, the acquisition of PMACIC by Armour Re is permitted under Pennsylvania law.

6. If any of the above Conclusions of Law is determined to be a Finding of Fact, it shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Armour Reinsurance Group Limited (“Armour Re”) in support of the request for approval to acquire control of PMA Capital Insurance Company (“PMACIC”), as set forth in the application as amended, is hereby approved, subject to this Order and the following conditions:

1. The form of the Buyer Surplus Note, Seller Surplus Note and the Promissory Note are hereby approved.
2. The requested prescribed accounting practices to discount of all of PMACIC’s loss and LAE reserves, excluding ULAE, for all lines of business, including reserves for incurred but not reported and incurred but not enough reported, using an annual interest rate of 4%, and to treat the economic value of the Liability Policies Support Agreement and the Workers’ Compensation Support Agreement to be entered into by PMA in connection with the acquisition as an admitted asset are hereby approved.
3. All other necessary regulatory filings and approvals shall be obtained prior to consummation of the transaction.
4. Armour Re shall provide a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Pennsylvania Insurance Department (“Department”) for a period of not less than five (5) years from the date of consummation.

5. PMACIC shall not acquire investments except securities rated “1” or “2” by the National Association of Insurance Commissioner (“NAIC”) Securities Valuation Office or as otherwise authorized by prior written approval of the Commissioner; PMACIC may continue to hold all securities in the company’s portfolio on the date of this Order until they reach maturity.
6. PMACIC shall not write any new business without prior written approval of the Commissioner except as required by law or contract.
7. PMACIC shall not file an application for voluntary dissolution within five (5) years of the effective date of this Order.
8. PMACIC shall not redomesticate without prior written approval of the Commissioner.
9. An independent actuary shall review and analyze the reserves of PMACIC, including but not limited to the adequacy of the reserves for reinsurance uncollectibles, every year, beginning with the year ending December 31, 2010, and the selection of the actuary and scope of the review shall be subject to the prior written approval of the Commissioner. The Department may waive this requirement in any year during which the Department performs a financial examination of PMACIC.
10. PMACIC shall annually provide to the Department, on or before March 31, a stress test that will demonstrate the adequacy of the company to continue to runoff the business. The format of the annual stress test shall be approved by the Department in advance. The first stress test shall be filed on or before March 31, 2011.
11. PMACIC shall annually provide to the Department a two-year financial projection, updated annually. The first two-year financial projection shall be filed on or before March 31, 2011. All subsequent two-year financial projections shall be filed annually with the Department, on or before March 31.
12. PMACIC shall not establish security deposits with any other jurisdiction without the Commissioner’s prior written approval except to the extent required by law.
13. PMACIC shall annually meet with the Department to review the operating results by the end of May of each year. PMACIC shall meet with the Department at other times upon reasonable advance notice by the Department.

14. PMACIC shall not engage in any transactions with affiliates or other entities owned by its officers and/or directors without prior written approval of the Department.
15. PMACIC shall make no dividends or other distributions without the prior written approval of the Department.
16. PMACIC shall not make any disbursements, payments or transfers of assets, except as otherwise provided herein, outside the normal and ordinary course of business, without the Department's prior written approval, provided however that no prior approval shall be required for any commutation agreements between PMACIC and its counterparties where such agreements are at or below the aggregate level of outstanding payment obligations, case reserves and IBNR then carried in the books of PMACIC.
17. The request of Armour Re to change the name of PMACIC to "Excalibur Reinsurance Corporation" after the consummation of the subject transaction is hereby approved.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application. This one year limitation does not apply to any conditions prescribed by the Department in the Order.

Joel Ario
Insurance Commissioner